

VZCZCXRO6312
PP RUEHAG RUEHAST RUEHDA RUEHDBU RUEHDF RUEHFL RUEHIK RUEHKW RUEHLA
RUEHLN RUEHLZ RUEHROV RUEHSR RUEHVK RUEHYG
DE RUEHKV #4576/01 3491202
ZNR UUUUU ZZH
P 151202Z DEC 06
FM AMEMBASSY KYIV
TO RUEHC/SECSTATE WASHDC PRIORITY 0711
INFO RUEHZL/EUROPEAN POLITICAL COLLECTIVE
RUCPDO/DEPT OF COMMERCE WASHDC
RUEHGV/USMISSION GENEVA 0029

UNCLAS SECTION 01 OF 02 KYIV 004576

SIPDIS

SENSITIVE
SIPDIS

GENEVA FOR USTR
STATE PLEASE PASS TO USTR FOR KLEIN/MOLNAR
USDOC FOR 4201/DOC/ITA/MAC/BISNIS
USDOC FOR 4231/ITA/OEENIS/NISD/CLUCYCK
STATE FOR EUR/UMB, EB/TPP/BTA, EB/TPP/MTA

E.O. 12958: N/A
TAGS: [ETRD](#) [WTRO](#) [ECON](#) [PGOV](#) [UP](#)
SUBJECT: 12/15 UKRAINE WTO UPDATE

REF: A. YARNELL-KLEIN EMAIL OF 12/13

- [1](#)B. KYIV 4531
- [1](#)C. KYIV 4415
- [1](#)D. KYIV 4315
- [1](#)E. KYIV 4304

[1](#)1. (SBU) Summary: The Ukrainian Rada (parliament) this week adopted another WTO-related law, on scrap metal and steel, bringing the total number of adopted laws to 19 out of the 21 considered necessary for accession. Local media, however, fueled by some GOU officials, are erroneously reporting this law to be the last required for accession and the end of the Rada's work. Ukraine's lead WTO negotiator recognizes the need for one additional piece of legislation and some fixes to laws already adopted, although he is somewhat less firm on Ukraine's commitment to develop a framework for biotechnology products. Treatment of U.S. beef and pork imports remain a stumbling block for accession. GOU officials have promised that trade will now flow, but Post is still awaiting clear evidence that the restrictions on U.S. products have been lifted. Ukraine signed a bilateral Market Access Agreement with Taiwan on December 14; Kyrgyzstan is now the sole remaining holdout, with no recent progress on these negotiations. End Summary.

[1](#)2. (U) This latest edition in a series of regular update cables regarding the status of Ukraine's WTO accession (refs B-E) covers the period December 11-15.

Outstanding WTO-related Legislation

[1](#)3. (U) The Rada adopted (in final reading) one more WTO-related law on December 13, bringing the total number adopted to 19 of the 21 pieces of legislation thought necessary for accession. The Rada passed the new law, "On the Export Duty on Scrap of Ferrous and Non-Ferrous Metals and Alloyed Steel," to replace an export ban on scrap metal with negotiated export duties. As reported ref A, the version that passed contained only ad valorem duty rates, not minimum specific rates in price per kilo, and is scheduled to come into force only on the January 1 that follows WTO accession. President Viktor Yushchenko has already signed seven of the 19 adopted bills into law.

[1](#)4. (SBU) Ukrainian media outlets, citing the Cabinet of Ministers press service and senior GOU officials, have hailed the December 13 vote as the final required for accession.

Econ Counselor reviewed outstanding legislation with Valeriy Pyatnytskiy, Deputy Minister of Economy and lead WTO negotiator, on December 12. Pyatnytskiy recognized that, contrary to media reports, the GOU would have to return to one draft law -- "On Value Added Tax (regarding taxation of agricultural enterprises)" -- that failed to pass in the Rada (ref B). In addition, Pyatnytskiy admitted that fixes to some of the adopted legislation would likely be necessary, hopefully as one omnibus package to be worked out through consultations with Working Party members. The Commercial Law Development Program's resident WTO adviser told us he believes the Law on Foreign Economic Activity, in particular, will likely need additional changes.

15. (SBU) Econ Counselor also asked about the promised law on biotechnology products. Pyatnytskiy noted that the GOU does not formally link this law to accession, since it is a bilateral commitment to the USG and not part of WTO conformity. He also argued that the U.S. bilateral commits the GOU to develop a biotechnology framework but not necessarily to finish its work prior to WTO accession.

U.S. Beef and Pork Exports

16. (SBU) Pyatnytskiy reaffirmed the GOU commitment to allow immediate import of U.S. beef and pork, and recognized that trade must flow before discussion of a system audit can continue. He tasked his team to follow up with the Veterinary Service and locate the order the Service claimed it had sent to Ukrainian port authorities regarding beef and pork imports from the U.S. Ministry of Economy officials had received no response from the Veterinary Service as of December 15.

17. (SBU) Ambassador called Deputy Minister of Agriculture

KYIV 00004576 002 OF 002

Petro Verbitskiy, who oversees the Veterinary Service, to follow up on December 14. Verbitskiy assured Ambassador that orders had been sent to allow for imports of U.S. beef and pork, and asked for a meeting to discuss remaining issues, such as system audits. We plan to meet with Verbitskiy's team the week of December 18, when we will again request a copy of the alleged order to the ports, and we will emphasize that no discussion of system audits can commence until the USG sees evidence that trade is flowing freely. Post understands that a trial shipment of U.S. beef liver, previously denied entry to Ukraine, is expected to return to Odessa port on or around December 26.

Concluding Bilateral Agreements: Taiwan Signs

18. (SBU) Ukraine signed a bilateral Market Access Agreement with Taiwan on December 14. Kyrgyzstan is now the sole remaining holdout who has not signed an agreement with Ukraine. Pyatnytskiy told us there had been no progress with Kyrgyzstan's bilateral; Ukrainian negotiators were disappointed that the Kyrgyz Minister of Finance decided to cancel his expected December 8 trip to Kyiv. Pyatnytskiy told Econ Counselor on December 12 that he hoped to visit Bishkek in the near future to continue negotiations.

Taylor